

**Tolles Career & Technical Center**

**(formerly Central Ohio Joint  
Vocational School District)**

Madison County, Ohio

Basic Financial Statements  
and Independent Auditor's Reports

June 30, 2005





**Auditor of State  
Betty Montgomery**

Board of Education  
Central Ohio Joint Vocational School District  
7877 U. S. Highway 42 South  
Plain City, Ohio 43064

We have reviewed the *Independent Auditor's Report* of the Central Ohio Joint Vocational School District, Madison County, prepared by Kennedy, Cottrell + Associates, for the audit period July 1, 2004 through June 30, 2005. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Central Ohio Joint Vocational School District is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY  
Auditor of State

January 9, 2006

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**TOLLES CAREER AND TECHNICAL CENTER**  
**(formerly Central Ohio Joint Vocational School District)**  
**Basic Financial Statements**

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## INDEPENDENT AUDITOR'S REPORT

Board of Education  
Central Ohio Joint Vocational School District  
7877 US Highway 42 South  
Plain City, Ohio 43064

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Central Ohio Joint Vocational School District, Madison County, Ohio (the District) as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the District as of June 30, 2005, and the respective changes in financial position, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2005 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

*Kennedy, Cottrell + Associates LLC*

Kennedy, Cottrell + Associates  
December 19, 2005

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**Tolles Career and Technical Center  
(formerly Central Ohio Joint Vocational School District)  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2005  
(Unaudited)**

The discussion and analysis of the Tolles Career and Technical Center, formerly Central Ohio Joint Vocational School District, (the District) financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2005. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review notes to the basic financial statements and financial statements to enhance their understanding of the District's financial performance.

**Financial Highlights**

Key financial highlights for 2005 are as follows:

*Overall:*

- Total net assets in Governmental Activities were \$22,469,582, a decrease of \$3,662,359 from the comparable amount at June 30, 2004. This was due to increased expenses for new programs, while revenues remained consistent with the previous year.
- The General Fund reported a positive fund balance of \$13,957,268 according to the Balance Sheet.
- The District has no outstanding debt.

**Using this Annual Financial Report**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The *Statement of Net Assets and Statement of Activities* provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term and what remains for future spending. The fund financial statements also look at the District's most significant funds with all other non-major funds presented in total in a single column. In the case of the District, the general fund is by far the most significant fund.

***Reporting the District as a Whole***

*Statement of Net Assets and the Statement of Activities*

The statement of net assets and the statement of activities reflect how the District did financially during fiscal year 2005. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting considers all of the current fiscal years' revenues and expenses regardless of when cash is received or paid.



**Tolles Career and Technical Center  
(formerly Central Ohio Joint Vocational School District)  
Management's Discussion and Analysis, Continued  
For the Fiscal Year Ended June 30, 2005  
(Unaudited)**

These statements report the District's net assets and changes in those assets. This change in net assets is important because it tells the reader whether the financial position of the District as a whole has increased or decreased from the prior fiscal year. Over time, these increases and/or decreases are one indicator of whether the financial position is improving or deteriorating. Causes for these changes may be the result of many factors, some financial, some not. Nonfinancial factors include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

In the *Statement of Net Assets and the Statement of Activities*, the District reports on the following activity type:

- **Governmental Activities** - Most of the District's programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation and extracurricular activities. These services are primarily funded by property tax revenues and from intergovernmental revenues, including federal and state grants and other shared revenues.

***Reporting the District's Most Significant Funds***

*Fund Financial Statements*

Fund financial reports provide detailed information about the District's major funds. While the District uses many funds to account for its financial transactions, the fund financial statements focus on the District's most significant funds. The District's major governmental fund is the General Fund.

***Governmental Funds:*** The District's governmental funds are used to account for the same programs reported as governmental activities on the government-wide financial statements. The District's basic services are reported in these funds and focus on how money flows into and out of those funds as well as the balances available for spending at fiscal year end. These funds are reported using the modified accrual basis of accounting which measures cash and all other financial assets that can be readily converted to cash. The governmental fund financial statements provide a detailed short-term view of the District's operations. Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for the governmental activities on the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to help make this comparison between governmental funds and governmental activities.

**Fiduciary Funds** – Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected on the government-wide financial statements because the resources from these funds are not available to support the District's programs. These funds use the accrual basis of accounting.

**Tolles Career and Technical Center  
(formerly Central Ohio Joint Vocational School District)  
Management's Discussion and Analysis, Continued  
For the Fiscal Year Ended June 30, 2005  
(Unaudited)**

**The District as a Whole**

The District financial health continues to be demonstrated by its ability to fund new programs as the needs arise. In 2005, the District expended \$3.6 million more than the \$6.2 million in revenues earned primarily on new programs and increased enrollment. The District's Net Asset balance at June 30, 2005 was \$22.4 million with \$13.6 million in unrestricted net assets available to meet future District obligations.

**Net Assets - Governmental Activities**

	<u>2005</u>	<u>2004</u>
Current assets	\$ 17,407,433	\$ 22,087,899
Capital assets	<u>8,338,547</u>	<u>7,790,189</u>
Total assets	<u>25,745,980</u>	<u>29,878,088</u>
Current liabilities	2,767,567	2,723,514
Long-term liabilities	<u>508,831</u>	<u>501,209</u>
Total liabilities	<u>3,276,398</u>	<u>3,224,723</u>
Net Assets:		
Invested in capital, net of debt	8,293,625	7,735,175
Restricted	574,151	575,869
Unrestricted	<u>13,601,806</u>	<u>17,820,897</u>
Total net assets	<u>\$ 22,469,582</u>	<u>\$ 26,131,941</u>

Current assets decreased in 2005 as the District used its cash balance to fund new programs initiated in 2005. Capital Assets increased due to the purchase of capital assets for new and existing programs.

Total liabilities at June 30, 2005 remained consistent with amounts reported at June 30, 2005.

**Tolles Career and Technical Center  
(formerly Central Ohio Joint Vocational School District)  
Management's Discussion and Analysis, Continued  
For the Fiscal Year Ended June 30, 2005  
(Unaudited)**

**Change in Net Assets - Governmental Activities**

	<u>2005</u>	<u>2004</u>
<b>Program revenues:</b>		
Charges for services	\$ 283,936	\$ 287,437
Operating grants	472,550	537,869
<b>General revenues:</b>		
Property taxes	2,601,609	2,410,690
Grants and entitlements	2,331,380	2,275,344
Other	<u>537,498</u>	<u>262,894</u>
Total revenues	<u>6,226,973</u>	<u>5,774,234</u>
<b>Program expenses:</b>		
Instructional:		
Regular	1,442,564	1,005,420
Special	496,725	154,377
Vocational	3,824,413	3,527,459
Adult/Continuing	176,235	180,052
Support services:		
Pupils	729,252	635,170
Instructional staff	949,529	544,772
Board of education	43,438	67,657
Administration	655,881	623,363
Fiscal	230,254	231,086
Operation & maintenance of plant	989,226	882,710
Pupil transportation	13,327	9,026
Central	114,758	222,510
Operation of non-instructional services	202,408	173,591
Extra-curricular activities	<u>21,322</u>	<u>16,508</u>
Total expenses	<u>9,889,332</u>	<u>8,273,701</u>
<b>Decrease in Net Assets</b>	<b><u>\$ (3,662,359)</u></b>	<b><u>\$ (2,499,467)</u></b>

Property taxes and grants and entitlement represent 79 percent of total District revenues. Program revenues for governmental activities are 12 percent of total revenues and are primarily represented by charges for tuition and fees and restricted intergovernmental revenues.

The major program expense for governmental activities is for instruction, which is 60 percent of all governmental expenses. Total District expenses in 2005 were \$1.6 million higher than 2004 expenses. During 2005, the District added four academic teachers, three career/technical teachers, three intervention specialists, one instructional aide, one network administrator, two supervisors and a secretary and eliminated one principal to meet the needs of increased enrollment and for new programs. New programs initiated in 2005 included, a fire fighter program, an auto services program and a broadcast video

**Tolles Career and Technical Center  
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Management's Discussion and Analysis, Continued  
For the Fiscal Year Ended June 30, 2005  
(Unaudited)**

production program at a new high school in the Dublin City School District. These increases were partially offset by programs which were discontinued for the Hilliard City School District.

**Governmental Activities**

The table below indicates the total cost of services and the net cost of services for the governmental activities. The statement of activities reflects the cost of program services and the charges for services and sales, grants, and contributions offsetting those services. The net cost of services identifies the cost of those services supported by tax revenues and unrestricted state entitlement.

Programs	Total Cost of Services		Net Cost of Service	
	2005	2004	2005	2004
Instruction	\$ 5,939,937	\$ 4,867,308	\$ 5,434,008	\$ 4,294,746
Support services:				
Pupil and instructional staff	1,678,781	1,179,942	1,647,150	1,121,226
Board of education, administration, fiscal and business	929,573	922,106	929,573	922,106
Operation & maintenance of plant	989,226	882,710	989,226	882,510
Pupil transportation	13,327	9,026	13,327	9,026
Central	114,758	222,510	111,758	219,510
Operation of non-instructional services	202,408	173,591	(13,518)	(17,237)
Extracurricular activities	21,322	16,508	21,322	16,508
Total	<u>\$ 9,889,332</u>	<u>\$ 8,273,701</u>	<u>\$ 9,132,846</u>	<u>\$ 7,448,395</u>

Of the total revenues for governmental activities 42 percent comes from local taxes, while 37 percent comes from state entitlements.

**The District's Funds**

The District's governmental funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$6,261,265 and expenditures of \$10,430,068 in 2005. The net change in fund balance for the year was most significant in the General Fund, where the fund balance decreased by \$4,095,691.

**General Fund Budgeting Highlights**

The District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the General Fund.

During the course of fiscal 2005, the District amended its general fund budget as needed.

Final budgeted expenditures in the amount of \$22,864,286 were \$13,224,126 above actual expenditures. The District generally over appropriates in case unexpected

**Tolles Career and Technical Center  
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Management's Discussion and Analysis, Continued  
For the Fiscal Year Ended June 30, 2005  
(Unaudited)**

expenditures arise during the fiscal year. Total actual expenditures on the budget basis (cash outlays plus encumbrances) were \$9,640,163, \$4,419,816 above revenues.

***Capital Assets***

At the end of fiscal 2005, the District had \$8,338,547 invested in land, buildings, equipment, and vehicles (net of accumulated depreciation); all in governmental activities.

Note 6 provides additional details regarding capital assets.

**Current Issues**

The District remains stable in a declining economy and uncertainty in State funding. The District covers a diverse area that includes suburban residential areas as well as farming communities in Franklin, Madison, Union, Delaware and Fayette Counties.

The District has maintained an excellent financial position over the last 30 years. In 1972, a 1.8 mill continuing levy was passed. Because of significant growth in the District over the years the millage has been reduced. The last reduction was from 1.1 mill to .5 mill effective January 1, 2003. It is not anticipated that the District will need any additional voted millage in the near future.

# **BASIC FINANCIAL STATEMENTS**

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**Tolles Career and Technical Center**  
(formerly Central Ohio Joint Vocational School District)  
*Statement of Net Assets*  
June 30, 2005

	<u>GOVERNMENTAL ACTIVITIES</u>
<b>ASSETS</b>	
Equity in pooled cash & investments	\$ 14,558,456
Materials and supplies inventory	42,037
Accounts receivable	109,857
Due from other governments	69,801
Prepaid items	11,143
Property taxes receivable	2,616,139
Nondepreciable capital assets	150,000
Depreciable capital assets, net	<u>8,188,547</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 25,745,980</u></b>
<b>LIABILITIES</b>	
Accounts payable	\$ 70,007
Accrued wages	749,384
Due to other governments	115,733
Unearned revenue	1,832,443
Long-term Liabilities:	
Due within one year	50,341
Due in more than one year	<u>458,490</u>
<b>TOTAL LIABILITIES</b>	<b><u>3,276,398</u></b>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	8,293,625
Restricted for:	
Capital projects funds	552,461
Other purposes	21,690
Unrestricted	<u>13,601,806</u>
<b>TOTAL NET ASSETS</b>	<b><u>\$ 22,469,582</u></b>

The notes to the financial statements are an integral part of this statement.



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**Tolles Career and Technical Center**  
(formerly Central Ohio Joint Vocational School District)  
*Statement of Activities*  
For the Fiscal Year Ended June 30, 2005

		Program Revenues		Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
<b>Governmental Activities</b>				
Instructional services:				
Regular	\$ 1,442,564	-	38,790	(1,403,774)
Special	496,725	-	276,865	(219,860)
Vocational	3,824,413	111,410	51,893	(3,661,110)
Adult/Continuing	176,235	-	26,971	(149,264)
Support services:				
Pupils	729,252	-	27,226	(702,026)
Instructional staff	949,529	-	4,405	(945,124)
Board of education	43,438	-	-	(43,438)
Administration	655,881	-	-	(655,881)
Fiscal	230,254	-	-	(230,254)
Operation & maintenance of plant	989,226	-	-	(989,226)
Pupil transportation	13,327	-	-	(13,327)
Central	114,758	-	3,000	(111,758)
Operation of Non-Instructional services	202,408	172,526	43,400	13,518
Extracurricular student activities	21,322	-	-	(21,322)
<b>Totals</b>	<b>\$ 9,889,332</b>	<b>283,936</b>	<b>472,550</b>	<b>(9,132,846)</b>

General revenues:	
Property taxes levied for -	
General purposes	2,601,609
Grants and entitlements not restricted to specific programs	2,331,380
Investment earnings	362,971
Miscellaneous	174,527
Total general revenues	5,470,487
Change in Net Assets	(3,662,359)
Net Assets Beginning of Year, as restated	26,131,941
Net Assets End of Year	22,469,582

The notes to the financial statements are an integral part of this statement.

**Tolles Career and Technical Center**  
(formerly Central Ohio Joint Vocational School District)  
*Balance Sheet*  
*Governmental Funds*  
*June 30, 2005*

	General	Other Governmental Funds	Total
<b>ASSETS</b>			
Equity and Pooled Cash and Cash Equivalent: \$	13,902,453	656,003	14,558,456
Materials and supplies inventory	36,359	5,678	42,037
Accounts receivable	106,525	3,332	109,857
Interfund receivable	43,854	-	43,854
Intergovernmental receivable	-	69,801	69,801
Prepaid items	11,143	-	11,143
Property taxes receivables	2,616,139	-	2,616,139
<i>TOTAL ASSETS</i>	<b>\$ 16,716,473</b>	<b>734,814</b>	<b>17,451,287</b>
 <b>LIABILITIES</b>			
Accounts payable \$	58,379	11,628	70,007
Accrued wages	673,826	75,558	749,384
Intergovernmental payables	91,426	23,287	114,713
Interfund payable	-	43,854	43,854
Due to other funds	910	110	1,020
Unearned revenue	1,934,664	-	1,934,664
<i>TOTAL LIABILITIES</i>	<b>2,759,205</b>	<b>154,437</b>	<b>2,913,642</b>
 <b>FUND BALANCES</b>			
Reserved for encumbrances	217,706	548	218,254
Reserved for inventory	36,359	5,678	42,037
Reserved for future appropriations	681,475	-	681,475
Unreserved, reported in:			
General fund	13,021,728	-	13,021,728
Special Revenue funds	-	21,690	21,690
Capital Projects funds	-	552,461	552,461
<i>TOTAL FUND BALANCES</i>	<b>13,957,268</b>	<b>580,377</b>	<b>14,537,645</b>
 <i>TOTAL LIABILITIES &amp; FUND BALANCES</i>	<b>\$ 16,716,473</b>	<b>734,814</b>	<b>17,451,287</b>

The notes to the financial statements are an integral part of this statement.

**Tolles Career and Technical Center**  
 (formerly Central Ohio Joint Vocational School District)  
*Reconciliation of Total Governmental Fund Balances to  
 Net Assets of Governmental Activities*  
 June 30, 2005

<b>Total Governmental Fund Balances</b>	\$ 14,537,645
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not functional resources and therefore are not reported in the funds.	8,338,547
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.	102,221
Long-term liabilities, including bonds and notes payable, are not due and payable in the current period and therefore are not reported in the funds.	
Compensated absences	(463,909)
Capital lease obligations	(44,922)
<b>Net Assets of Governmental Activities</b>	<b>\$ 22,469,582</b>

The notes to the financial statements are an integral part of this statement.

**Tolles Career and Technical Center**  
(formerly Central Ohio Joint Vocational School District)  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
**Governmental Funds**  
For the Year Ended June 30, 2005

	General	Other Governmental Funds	Total
<b>REVENUES:</b>			
Taxes	\$ 2,635,901	-	2,635,901
Intergovernmental	2,331,380	472,550	2,803,930
Interest	362,936	35	362,971
Tuition and fees	22,425	88,985	111,410
Charges for services	-	172,526	172,526
Miscellaneous	163,381	11,146	174,527
<b>TOTAL REVENUES</b>	<b>5,516,023</b>	<b>745,242</b>	<b>6,261,265</b>
<b>EXPENDITURES:</b>			
Current:			
Instructional services:			
Regular	1,404,644	38,528	1,443,172
Special	178,254	319,241	497,495
Vocational	3,820,517	56,106	3,876,623
Adult/Continuing	-	175,691	175,691
Support services:			
Pupils	755,502	18,211	773,713
Instructional staff	980,918	12,863	993,781
Board of education	43,438	-	43,438
Administration	597,625	42,456	640,081
Fiscal	227,729	-	227,729
Operation & maintenance of plant	1,036,083	-	1,036,083
Pupil transportation	12,110	-	12,110
Central	149,193	3,000	152,193
Operation of Non-Instructional services	-	182,258	182,258
Extracurricular	20,916	-	20,916
Capital outlay	354,785	-	354,785
<b>TOTAL EXPENDITURES</b>	<b>9,581,714</b>	<b>848,354</b>	<b>10,430,068</b>
 <i>Excess (deficiency) of revenues over expenditures</i>	 (4,065,691)	 (103,112)	 (4,168,803)
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers in	-	30,000	30,000
Transfers out	(30,000)	-	(30,000)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(30,000)</b>	<b>30,000</b>	<b>-</b>
 <i>NET CHANGE IN FUND BALANCES</i>	 (4,095,691)	 (73,112)	 (4,168,803)
<b>FUND BALANCES AT BEGINNING OF YEAR</b>	<b>18,052,959</b>	<b>653,489</b>	<b>18,706,448</b>
<b>FUND BALANCE AT END OF YEAR</b>	<b>\$ 13,957,268</b>	<b>580,377</b>	<b>14,537,645</b>

The notes to the financial statements are an integral part of this statement.

**Tolles Career and Technical Center**  
(formerly Central Ohio Joint Vocational School District)  
*Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
For the Fiscal Year Ended June 30, 2005*

<b>Net Changes in Fund Balances - Total Governmental Funds</b>	<b>\$ (4,168,803)</b>
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.	548,358
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.	(34,292)
Repayment of lease payable is an expenditure in governmental fund, but the repayment reduces long-term liabilities in the statement of net assets and does not result in an expense in the statement of activities.	10,092
Compensated absence expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	(17,714)
<b>Change in Net Assets of Governmental Activities</b>	<b><u><u>\$ (3,662,359)</u></u></b>

The notes to the financial statements are an integral part of this statement.

**Tolles Career and Technical Center**  
 (formerly Central Ohio Joint Vocational School District)  
*Statement of Fiduciary Assets and Liabilities*  
*Fiduciary Funds*  
*June 30, 2005*

		Agency
<b>ASSETS</b>		
Equity in pooled cash and cash equivalents	\$	17,597
Due from other funds		1,020
<i>TOTAL ASSETS</i>		18,617
 <b>LIABILITIES</b>		
Accounts Payable		239
Due to Others		18,378
<i>TOTAL LIABILITIES</i>	\$	18,617

The notes to the financial statements are an integral part of this statement.

**TOLLES CAREER AND TECHNICAL CENTER**  
**(formerly Central Ohio Joint Vocational School District)**  
**MADISON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2005**

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**Note 1. Description of the School District and Reporting Entity**

**Reporting Entity**

The Central Ohio Joint Vocational School District (the District) was organized in 1972 under Section 3311.18 of the Ohio Revised Code. The District formally changed its name to Tolles Career and Technical Center on August 8, 2005. The District is a fiscally independent political subdivision of the State of Ohio. The District is governed by a seven member Board of Education. Board of Education members are appointed from the membership of the following seven Boards of Education: Dublin City School District, Fairbanks Local School District, Hilliard City School District, Jefferson Local School District, Jonathan Alder Local School District, London City School District, and Madison-Plains Local School District. The District had been supported by a 1.1 mill continuing operating levy passed in 1972 and by funds from the State of Ohio Joint Vocational School Foundation Program. At the request of the District's Board of Education, the Madison County Commissioners reduced the District's continuing operating mills from 1.1 mills to .5 mills effective January, 2003. The 1.1 mill support level could be reinstated by the county commissioners upon demonstration of need by the District.

The District provides job training leading to employment upon graduation from high school. The District fosters cooperative relationships with business and industry, professional organizations, participating school districts, and other interested, concerned groups and organizations to consider, plan and implement education programs designed to meet the common needs and interests of students.

A reporting entity is composed of the stand-alone government, component units, and other organizations that are included to ensure the financial statements are not misleading. For reporting purposes, the District consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food service, continuing education and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, issuance of debt, or the levying of taxes. The District has no component units.

The District participates in the Ohio School Boards Association Workers' Compensation Group Rating Plan, an insurance purchasing pool and with the Metropolitan Educational Council (MEC), a jointly governed organization. These organizations are presented in Notes 15 and 16 to the basic financial statements

**Note 2. Summary of Significant Accounting Policies**

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental



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accounting and financial reporting principles. The District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental activities provided they do not conflict with or contradict GASB pronouncements. The more significant of the District's accounting policies are described below.

**A. Basis of Presentation**

The District's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities and fund financial statements which provide a more detailed level of financial information.

**Government-wide Financial Statements**

The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The statement of net assets presents the financial condition of the governmental activities of the District at fiscal year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

**Fund Financial Statements**

During the year, the District segregates transactions related to certain District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the District at this more detailed level. The focus of governmental financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

**B. Fund Accounting**

The District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the District are reported in two categories: governmental and fiduciary.

**Governmental Fund Types**

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balances. The District has one major governmental fund:

General Fund - This fund is used to account for all financial resources except those required to be accounted for in another fund. The General Fund balance is

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available to the District for any purpose provided it is expended or transferred according to general laws of Ohio.

The other governmental funds of the District account for grants and other resources whose use is restricted to a particular purpose.

Fiduciary Fund Types

Fiduciary fund reporting focuses on net assets and changes in net assets. The District's fiduciary fund is an agency fund. An agency fund is purely custodial in nature (assets equal liabilities) and does not involve measurement of results of operations. The District's agency fund accounts for student activities and worker's compensation.

**C. Measurement Focus/Basis of Accounting**

**Government-wide Financial Statements**

The government-wide financial statements are prepared using a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of the District are included on the statement of net assets. The statement of activities presents increases (i.e. revenues) and decreases (i.e. expenses) in total net assets.

**Fund Financial Statements**

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reflects on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the fund statements for governmental funds.

**D. Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting; fiduciary funds use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of unearned revenue and in the presentation of expenses versus expenditures.

**Revenues - Exchange and Non-Exchange Transactions**

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of the fiscal year-end.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis,

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revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year-end: property taxes available as an advance, tuition, grants, and fees.

**Unearned Revenue**

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2005, but which were levied to finance year 2006 operations, have been recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as unearned revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as unearned revenue.

**Expenses/Expenditures**

On the accrual basis, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

**E. Cash and Investments**

To improve cash management, cash received by the District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the District's records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents". During the fiscal year all investments were limited to certificates of deposit, repurchase agreements, the State Treasury Asset Reserve of Ohio (STAR Ohio) and federal agency securities.

Nonparticipating investment contracts such as repurchase agreements and non-negotiable certificates of deposit are reported at cost. Except for non-participating investment contracts, investments are reported at fair value which is based on quoted market prices.

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2005. For the District, all investment earnings accrue to the General and Special Revenue Funds as authorized by board resolution.

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Investments of the District's cash management pool and investments with an original maturity of three months or less at the time they are purchased by the District are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

**F. Inventories**

Inventories are presented at cost which is determined on a first-in, first-out basis. Inventory is recorded as an expenditure/expense when used.

Inventories consist of donated and purchased food, and supplies held for resale, and materials and supplies for consumption.

**G. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2005, are recorded as prepaid items.

**H. Capital Assets**

The District's only capital assets are general capital assets used in governmental activities. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the year. Donated fixed assets are recorded at their fair market values on the date donated. The District maintains capitalization at \$300. The District does not have any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All capital assets except land are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Description	Estimated Lives
Building and Building Improvements	15 – 30 years
Furniture and Fixtures	5 – 20 years
Vehicles	5 – 15 years
Equipment	6 – 20 years

**I. Interfund Assets/Liabilities**

On fund financial statements, receivables and payables resulting from short-term interfund loans or interfund services provided and used are classified as interfund receivables/payables. Interfund balances within governmental activities are eliminated on the government wide statement of net assets.

**J. Compensated Absences**

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the District will compensate the employees for the benefits through paid time off or some other

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means. The District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits as well as those that are probable of receiving payments in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the District's termination policy. The District records a liability for accumulated unused sick leave for all employees after ten years of service.

**K. Accrued Liabilities and Long-Term Obligations**

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. Capital leases are recognized as a liability on the fund financial statements when due.

**L. Interfund Transactions**

Transfers within governmental activities are eliminated on the government-wide financial statements.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as Interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayment from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

**M. Fund Balance Reserves and Designations**

The District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund balances are reserved for supplies inventory, encumbrances and future appropriations. The reserve for future appropriation represents the amount of the property taxes available for advance and recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. The District is prohibited by law from appropriating the advance, since it was not received, for the current fiscal year. The unreserved portions of fund equity reflected for the Governmental Funds are available for use within the specific purposes of those funds.

**N. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

**O. Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**Note 3. Cash and Investments**

**A. Cash**

The investment and deposit of the District's monies is governed by the provisions of the ORC. In accordance with these statutes, the District is authorized to invest in United States and State of Ohio bonds, notes, and other obligations; bank certificates of deposit; banker acceptances; commercial paper notes rated prime and issued by United States corporations; repurchase agreements secured by United States obligations; and STAROhio. During fiscal year 2005, investments were limited to STAROhio, repurchase agreements, CDs, and federal agency securities. Earnings on investments are credited to the General Fund except earnings specifically related to the Capital Projects Fund, Food Service Fund, and the Agency Fund which is in compliance with ORC Section 3315.01. In fiscal 2005 total investment income of \$362,971 was recorded in the General Fund and Food Service Fund.

STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the Securities Exchange Commission as an investment company, but does operate in a manner similar to Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2005.

According to state law, public depositories must give security for all public funds on deposit. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by the FDIC, or may pledge a pool of government securities valued at least 105% of the total value of public monies on deposit at the institution. Repurchase agreements must be secured by the specific government securities upon which the repurchase agreements are based. These securities must be obligations of or guaranteed by the United States and mature or be redeemable within 5 years of the date of the related repurchase agreement. State law does not require security for public deposits and investments to be maintained in the District's name. During 2005, the District and public depositories complied with the provisions of these statutes.

**B. Deposits with Financial Institutions**

Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District.

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At June 30, 2005, the carrying amount of all District deposits was \$ 2,439,202. Based on the criteria described in GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, as of June 30, 2005, \$ 2,493,078 of the District's bank balance of \$ 2,693,078 was exposed to custodial risk as discussed above, while \$200,000 was covered by Federal Deposit Insurance Corporation.

**C. Investments**

As of June 30, 2005, the District had the following investments and maturities.

Investment type	Fair Value	Investment Maturities			
		6 months or less	7 to 12 months	13 to 18 months	19 to 24 months
STAROhio	\$ 4,877	4,877	-	-	-
FHLMC DN	5,946,804	5,946,804	-	-	-
FHLB	2,694,665	-	-	2,694,665	-
FNMA	999,672	-	-	999,672	-
Commercial Paper	2,490,833	2,490,833	-	-	-
	<u>\$ 12,136,851</u>	<u>8,442,514</u>	<u>-</u>	<u>3,694,337</u>	<u>-</u>

*Interest Rate Risk.* As a means of limiting its exposure to fair value losses arising from rising interest rates and according to state law, the District limits investment portfolio maturities to two years or less.

*Credit Risk.* The District does not have a formal policy limiting credit risk. Standard & Poor's has assigned StarOhio an AAAM money market rating. The FHLMC, FHLB and FNMA investments were rated AAA and Aaa by Standard & Poor's and Moody's Investor Services, respectively. The Commercial Paper held at year end was Citigroup Commercial Paper with a short term rating of A-1+ and P-1 by Standard & Poor's and Moody's Investor Services, respectively.

*Concentration of Credit Risk.* The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage to total of each investment type held by the District at June 30, 2005:

Investment type	Fair Value	% to total
STAROhio	\$ 4,877	0.04%
FHLMC	5,946,804	49.00%
FHLB	2,694,665	22.20%
FNMA	999,672	8.24%
Commercial Paper	2,490,833	20.52%
	<u>\$ 12,136,851</u>	<u>100.00%</u>

**Note 4. Property Tax**

Property taxes are levied, assessed and collected on a calendar year basis, while the District's fiscal year runs from July through June. They include amounts levied against all real, public utility, and tangible personal property located in the District. Taxes collected on real property (other than

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public utility) in one calendar year are levied in the preceding calendar year on assessed values as of January 1 of that preceding year, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. All property is required to be revalued every six years. Real property taxes are payable annually or semiannually. If paid annually, payment is due January 20. If paid semi-annually, the first payment is usually due January 20, with the remainder payable June 20. Under certain circumstances, state statute permits alternate payment dates to be established.

Taxes collected from tangible personal property (other than public utility) in one calendar year are levied in the prior calendar year on assessed values during and at the close of the most recent fiscal year of the taxpayer that ended on or before December 31 of that calendar year. Tangible personal property used in business (except for public utilities) is currently assessed for taxation purposes at 25 percent of its true value. Amounts paid by multi-county taxpayers may be paid annually or semi-annually, the first payment is due April 30, with the remainder payable by September 20.

Public utility real and public utility personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year proceeding the tax collection year, the lien date. Real property is assessed at 35% of market value and personal property is assessed at 100 percent of market value. Public utility property taxes are payable on the same dates as real property taxes described previously.

The District receives property taxes from Madison, Franklin, Union, Delaware and Fayette Counties. Tax settlements are made each February and August for real property and each June and October for personal property taxes.

Accrued property taxes receivable includes the late personal property tax settlement, real property, public utility property, and tangible personal property taxes which were measurable as of fiscal year end, and for which there was an enforceable legal claim. Although, total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations and is reflected as revenue at fiscal year end. The receivable is offset by a credit to unearned revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2005 was \$681,475 in the General Fund. Accrued property taxes receivable also includes amounts for any late personal property tax settlements made by the Counties.

On the full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue. On the modified accrual basis, the revenue is deferred.

The full tax rate at the fiscal year ended June 30, 2005 for operations was \$.50 per \$1,000 of assessed valuation. The assessed values of real and tangible personal property on which the fiscal year 2005 taxes were collected were as follows:

Real Property - Commercial/Industrial	\$	1,292,344,950
Real Property - Residential/Agricultural		3,725,900,200
Personal Property - General		603,509,344
Total Assessment Vaue	\$	<u>5,621,754,494</u>



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**NOTES TO THE BASIC FINANCIAL STATEMENTS, (Continued)**

**Note 5. Receivables**

Receivables at June 30, 2005 consisted of taxes, accounts (tuition and student fees), and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current guarantee of federal funds.

A summary of the principal items of Intergovernmental Receivables follows:

<b>Governmental Activities</b>	<b>Amount</b>
Other Governmental Funds:	
Adult Education	\$ 10,255
ABLE Grant	1,595
Carl D. Perkins Grant	55,265
Food Service	2,686
Total Governmental Activities	\$ 69,801

**Note 6. Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2005, was as follows:

	Balance June 30, 2004 as restated	Additions	Disposals	Balance June 30, 2005
Capital Assets used in:				
<b>Governmental Activities</b>				
Nondepreciable capital assets-				
Land	\$ 150,000	-	-	150,000
Construction in progress	99,859	-	99,859	-
Total nondepreciable capital assets	249,859	-	99,859	150,000
Depreciable capital assets:				
Building and building improvements	11,217,662	383,541	-	11,601,203
Furniture and equipment	4,529,249	1,019,277	963,385	4,585,141
Vehicles	463,675	35,500	9,500	489,675
Total depreciable capital assets	16,210,586	1,438,318	972,885	16,676,019
Accumulated depreciation:				
Building and building improvements	5,410,322	277,710	-	5,688,032
Furniture and equipment	3,026,709	370,112	849,344	2,547,477
Vehicles	233,225	28,238	9,500	251,963
Total accumulated depreciation	8,670,256	676,060	858,844	8,487,472
Total depreciable capital assets, net	7,540,330	762,258	114,041	8,188,547
Total governmental activities capital assets, net	7,790,189	762,258	213,900	8,338,547

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Depreciation expense was charged to governmental functions as follows:

Instructional:	
Regular	\$ 7,437
Special	1,082
Vocational	572,690
Adult/Continuing	270
Support services:	
Pupil	19,065
Instructional staff	19,741
Administration	8,248
Fiscal	1,217
Operation and maintenance of plant	26,366
Pupil transportation	1,217
Central	135
Other operation of non-instructional services	18,186
Extra curricular activities	406
Total depreciation	<u>\$ 676,060</u>

**Note 9. Long-Term Obligations**

Changes in the District's long-term obligations during fiscal year 2005 were as follows:

	Balance			Balance	Amount
	June 30, 2004	Additions	Reductions	June 30, 2005	due in One
					Year
<b>Governmental Activities</b>					
Compensated absences payable	\$ 446,195	59,618	41,904	463,909	\$ 39,137
Capital Leases Payable	<u>55,014</u>	-	<u>10,092</u>	<u>44,922</u>	<u>11,204</u>
Total Governmental Activities Long-term Obligations	<u>\$ 501,209</u>	<u>59,618</u>	<u>51,996</u>	<u>508,831</u>	<u>\$ 50,341</u>

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**Note 10. Capital Leases**

The District has four lease agreements for copiers. Each lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Principal payments made from governmental funds on the leases in 2005 and 2004 were \$10,092 and \$4,664, respectively.

The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the minimum lease payments of June 30, 2005:

Year	Governmental Activities
2006	\$ 15,392
2007	15,392
2008	15,392
2009	7,702
Total	53,878
Less: Amount representing interest	(8,955)
Present Value of Net Minimum Lease Payments	44,923

**Note 11. Interfund Assets/Liabilities**

As of June 30, 2005, the General Fund had an interfund receivable in the amount of \$43,854. The Carl D. Perkins Grant and Buckeye Science Academy special revenue funds had interfund payables in the amounts \$43,454 and \$400, respectively, resulting from the provision of cash flow resources from the General Fund until the receipt of grant monies by the special revenue funds.

**Note 12. Defined Benefit Pension Plans**

**A. School Employees Retirement System**

The District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476.

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2005, 10.57 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2004, 9.09 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2005, 2004, and 2003 were \$116,049, \$97,057 and \$98,016, respectively; 100 percent of the required contribution for each year.

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**B. State Teachers Retirement System**

The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371, by calling (614) 227-4090, or by visiting the STRS Ohio Web site at [www.strsoh.org](http://www.strsoh.org).

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan, and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

For the fiscal year ended June 30, 2005, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required pension obligations to STRS for the fiscal years ended June 30, 2005, 2004, and 2003 were \$617,095, \$602,044 and \$556,388, respectively; 100 percent of the required contribution each year.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2005, two members of the Board of Education elected Social Security. The Board's liability is 6.2 percent of wages paid.

**TOLLES CAREER AND TECHNICAL CENTER**  
**(formerly Central Ohio Joint Vocational School District)**  
**MADISON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS, (Continued)**

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**Note 13. Postemployment Benefits**

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS) and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

STRS retirees who participated in the DB or combined plans and their dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. All benefit recipients pay a portion of health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2005, the STRS Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$44,400 for fiscal year 2005.

STRS pays health care benefits from the Health Care Stabilization Fund. At June 30, 2004, (the latest information available) the balance in the Fund was \$3.1 billion. For the fiscal year ended June 30, 2004, net health care costs paid by STRS were \$268,739,000 and STRS had 111,853 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their premium for health care. The portion is based on years of service, Medicare eligibility, and retirement status. Premiums may be reduced for retirees whose household income falls below the poverty level.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2005, employer contributions to fund health care benefits were 3.43 percent of covered payroll, a decrease of 1.48 percent from fiscal year 2004. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2005, the minimum pay was established at \$27,400. However, the surcharge is capped at 2 percent of each employer's SERS salaries. Employer contributions of approximately \$28,200 and a surcharge of \$12,565 were used to fund post-employment benefits for 2005.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2004 (the latest information available), were \$223,443,805 and the target level was \$335.2 million. At June 30, 2004, SERS had net assets available for payment of health care benefits of \$300.8 million. SERS has approximately 62,000 participants currently receiving health care benefits.

**TOLLES CAREER AND TECHNICAL CENTER**  
**(formerly Central Ohio Joint Vocational School District)**  
**MADISON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS, (Continued)**

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**Note 14. Compensated Absences**

The criteria for determining vacation and sick leave components are derived from negotiated agreements, Board policies and State laws. Only administrative and twelve month school support personnel accumulate vacation based on the following factors:

<u>Years of Service</u>	<u>Vacation Days</u>
After 1 Year	10
5 or more Years	15
10 or more Years	20

All administrative personnel earn twenty days vacation annually.

Each employee earns sick leave at the rate of one and one-fourth days per month. Sick leave shall accumulate during active employment on a continuous year-to-year basis. Maximum sick leave accumulation for all employees is 260 days. Upon retirement, payment is made for 25 percent of the employee's balance based upon their years of service.

**Note 15. Risk Management**

**A. General Risk**

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. The District has addressed these various types of risk by purchasing a comprehensive insurance policy through commercial carriers.

General liability insurance is maintained in the amount of \$1,000,000 for each occurrence and \$3,000,000 in the aggregate. In addition, the District maintains a \$5,000,000 umbrella liability policy.

The District maintains fleet insurance in the amount of \$1,000,000 for any one accident or loss.

The District maintains replacement cost insurance on buildings and contents in the amount of \$250,000,000 (subject to scheduled limits). The District maintains other property insurance for valuable papers, electronic data processing equipment, and mechanical, electrical and pressure equipment. Settled claims have not exceeded this commercial coverage in any of the past three years. There have been no significant reductions of coverage from the prior years.

**B. Workers' Compensation-Public Entity Risk Pool**

The District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect and the Immediate Past President of the Ohio School Boards Association (OSBA). The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers'

**TOLLES CAREER AND TECHNICAL CENTER**  
**(formerly Central Ohio Joint Vocational School District)**  
**MADISON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS, (Continued)**

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compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP.

A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

**C. Employee Insurance**

The District provides life insurance and accidental death and dismemberment insurance to its employees through the Metropolitan Educational Council insurance purchasing program. The District has elected to provide employee medical/surgical benefits and dental through United HealthCare, a fully funded program.

**Note 16. Jointly Governed Organizations**

Metropolitan Educational Council - MEC is a not for profit educational council whose primary purpose and objective is to contribute to the educational services available to school districts in Franklin County and surrounding areas by cooperative action membership. The governing board consists of a representative from each of the Franklin County districts. Districts outside of Franklin County are associate members and each county selects a single district to represent them on the governing board. MEC is its own fiscal agent. The District does not have an ongoing financial interest in or ongoing financial responsibility for MEC. MEC provides computer services to the District.

**Note 17. Contingencies**

**A. Grants**

The District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2005.

**B. Litigation**

There are currently no matters in litigation with the District as defendant.

**TOLLES CAREER AND TECHNICAL CENTER  
(formerly Central Ohio Joint Vocational School District)  
MADISON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS, (Continued)**

**Note 18. Statutory Reserves**

The District is required by state law to set aside certain general fund revenue amounts, as defined, into various reserves. During the fiscal year ended June 30, 2005, the reserve activity was as follows:

	Textbook Reserve	Capital Maintenance Reserve	Total
Set-Aside Cash Balance as of July 1, 2004	\$ -	-	-
Current Year Set-Aside Requirement	77,663	77,663	155,326
Qualifying Disbursements	<u>(1,455,924)</u>	<u>(788,075)</u>	<u>(2,243,999)</u>
Total	<u>(1,378,261)</u>	<u>(710,412)</u>	<u>(2,088,673)</u>
Cash Balance Carried Forward to Fiscal Year 2006	<u>\$ -</u>	<u>-</u>	<u>-</u>

The District had offsets and qualifying disbursements during the year that reduced the set-aside amounts below zero. These amounts may be used to reduce the set-aside requirement of future years. Negative amounts, however, are not presented as being carried forward to the next fiscal year.

**Note 19. School Funding Decision**

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school funding decision is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school funding scheme that is thorough and efficient...".

The District is currently unable to determine what effect, if any, this decision will have on its future State funding and on its financial operations.

**Note 20. Fund Deficit / Accountability**

The District's Career Development Grant Fund had a GAAP basis deficit fund balance of \$188 at June 30, 2005. This deficit will be funded by future revenues.



**TOLLES CAREER AND TECHNICAL CENTER  
(formerly Central Ohio Joint Vocational School District)  
MADISON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS, (Continued)**

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**Note 21. Restatement of Beginning Net Assets**

The District 2005 financial statements reflects a prior period adjustment to more properly reflect its capital assets, net of accumulated depreciation, at June 30, 2005.

	Governmental Activities
Beginning Net Assets, as previously reported	\$ 26,653,365
Adjustment to correct capital asset depreciation amounts expensed in prior periods	<u>(521,424)</u>
Beginning Net Assets, as restated	<u>26,131,941</u>

# **REQUIRED SUPPLEMENTARY INFORMATION**

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**Tolles Career and Technical Center**  
(formerly Central Ohio Joint Vocational School District)  
*Budgetary Comparison Schedule*  
*General Fund*  
For the Year Ended June 30, 2005

	Original Budget	Revised Budget	Actual	Variance Positive (Negative)
<b>REVENUES:</b>				
Taxes	\$ 2,453,379	2,512,700	2,508,400	(4,300)
Intergovernmental	2,257,426	2,330,851	2,331,380	529
Interest	200,000	323,343	324,542	1,199
Tuition and fees	21,000	21,000	22,175	1,175
Miscellaneous	11,800	33,300	33,850	550
<b>TOTAL REVENUES</b>	<u>4,943,605</u>	<u>5,221,194</u>	<u>5,220,347</u>	<u>(847)</u>
<b>EXPENDITURES:</b>				
Current:				
Instructional services:				
Regular	1,778,600	1,778,600	1,355,112	423,488
Special	266,100	266,300	189,895	76,405
Vocational	5,518,700	5,903,472	3,705,462	2,198,010
Support services:				
Pupils	7,797,400	7,811,959	785,758	7,026,201
Instructional staff	1,467,900	1,470,535	985,722	484,813
Board of education	333,000	334,489	45,234	289,255
Administration	730,500	738,094	605,129	132,965
Fiscal	302,000	304,031	231,245	72,786
Operation & maintenance of plant	2,471,000	2,583,706	1,149,555	1,434,151
Pupil transportation	14,000	14,000	12,110	1,890
Central	219,000	219,300	133,992	85,308
Extracurricular	22,000	22,000	20,917	1,083
Capital outlay	1,015,000	1,417,803	420,032	997,771
<b>TOTAL EXPENDITURES</b>	<u>21,935,200</u>	<u>22,864,289</u>	<u>9,640,163</u>	<u>13,224,126</u>
<i>Excess (deficiency) of revenues over expenditures</i>	(16,991,595)	(17,643,095)	(4,419,816)	(13,223,279)
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers out	(60,000)	(60,000)	(30,000)	30,000
Advances in	61,000	58,454	64,273	5,819
Advances out	(61,000)	(61,000)	(64,673)	(3,673)
Other	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(60,000)</u>	<u>(62,546)</u>	<u>(30,400)</u>	<u>32,146</u>
<b>NET CHANGE IN FUND BALANCES</b>	(17,051,595)	(17,705,641)	(4,450,216)	(13,255,425)
Prior year encumbrances appropriated	929,090	929,090	929,090	-
<b>FUND BALANCES AT BEGINNING OF YEAR</b>	17,054,360	17,054,360	17,054,360	-
<b>FUND BALANCE AT END OF YEAR</b>	<u>\$ 931,855</u>	<u>277,809</u>	<u>13,533,234</u>	<u>(13,255,425)</u>

See notes to required supplementary information.

**TOLLES CAREER AND TECHNICAL CENTER**  
**(formerly Central Ohio Joint Vocational School District)**

Notes to the Required Supplementary Information  
For the Year Ended June 30, 2005

**NOTE A - BUDGETARY DATA**

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount that the Board of Education may appropriate. The appropriations resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by the Board. The legal level of control has been established by the Board of Education at the object level for all funds. Any budgetary modifications at this level may only be made by the Board of Education.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the District's Treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the certificate of estimated resources when the original appropriations were adopted by fund. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the final amended certificate in effect at the time the final appropriations were passed by the Board.

The appropriation resolution is subject to amendment by the Board throughout the year with the restriction that appropriations may not exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation resolution for the funds that covered the entire fiscal year, including amounts automatically carried forward from prior fiscal years. The amounts reported as the final budgeted amounts represent the final appropriations passed by the Board during the fiscal year.

**NOTE B - RECONCILING BUDGET BASIS AND GAAP**

The District prepares its budget on a basis of accounting that differs from generally accepted accounting principles (GAAP). The actual column presented on the Budgetary Comparison Schedule – General Fund is prepared in accordance with the budget basis of accounting.

The major differences between the budgetary basis of accounting and GAAP are that:

- A. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- B. Expenditures are recorded when encumbered (budget basis) as opposed to when the liability is incurred (GAAP basis);
- C. Encumbrances are recorded as the equivalent of expenditures (budget basis) as opposed to a reservation of fund balance (GAAP basis); and
- D. Investments are recorded at cost (budget basis) as opposed to fair value (GAAP basis).

A reconciliation of the General Fund results of operations at the end of the year on the GAAP basis to the budget basis follows:

Deficiency of revenues and other financing sources under expenditures and other financing uses (GAAP Basis)	\$ (4,095,691)
<b>Adjustments, net</b>	
Revenue accruals	(231,402)
Expenditure accruals	152,963
Encumbrances	(276,086)
Excess of revenues and other financing sources over expenditures and other financing uses (Budget Basis)	\$ (4,450,216)



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Education  
Central Ohio Joint Vocational School District  
7877 US Highway 42 South  
Plain City, Ohio 43064

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Central Ohio Joint Vocational School District, Delaware County, Ohio (the District) as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 19, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

However, we noted certain matters that we reported to management of the District in a separate letter dated December 19, 2005.

This report is intended solely for the information and use of the audit committee, management, Board of Education, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

*Kennedy, Cottrell + Associates LLC*

Kennedy, Cottrell + Associates  
December 19, 2005



**Auditor of State  
Betty Montgomery**

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140

Telephone 614-466-4514  
800-282-0370

Facsimile 614-466-4490

**CENTRAL OHIO JOINT VOCATIONAL SCHOOL DISTRICT**

**MADISON COUNTY**

**CLERK'S CERTIFICATION**

**This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.**

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
FEBRUARY 9, 2006**